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TO RUEHC/SECSTATE WASHDC IMMEDIATE 5384
INFO RUCNCIS/CIS COLLECTIVE 1564
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0941
RUEHKO/AMEMBASSY TOKYO 1644
RUEHUL/AMEMBASSY SEOUL 0626
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHDC
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RHEHNSC/NSC WASHDC 1126
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SUBJECT: KAZAKHSTAN: ECONOMIC AND ENERGY UPDATE, APRIL 12-APRIL
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11. SUMMARY: This information is drawn primarily from the
Kazakhstani local press and has not been verified for accuracy.

-- Financial Sector News
-- Updates from Samruk-Kazyna
-- CICA the Precursor of an Asian G-20?
-- Kazatomprom President Rumored to Have Fled the Country
-- Budget Control Committee Accuses Energy Ministry

FINANCIAL SECTOR NEWS

12. On July 1, 2009, the Financial Supervision Agency (FSA) will
increase the minimum capital requirements for banks operating in
Almaty to 5 billion tenge (approximately \$33.2 million) and 2 or 3
billion tenge (about \$13.3 million or \$19.9 million respectively)
for regional banks. FSA Chair Yelena Bakhmutova explained that
banks which cannot meet new capital requirements should consider
moving from Almaty to provide financial services in the regions.

13. Speaking at a conference organized by the Fitch Ratings Agency,
Bakhmutova said that starting January 1, 2010, commercial banks that
do not have large stockholders, or are not subsidiaries of large
parent banks, will not be allowed to hold deposits for private
individuals.

14. According to the FSA, the total net loss of Kazakhstan's
commercial banks was 296.6 billion tenge (approximately \$1.97
billion) in the first quarter of 2009, compared to 27.6 billion
tenge (about \$183.4 million) in the same period the previous year.
As of April 1, 2009, the loan portfolio of Kazakhstani banks reached
10,254.6 billion tenge (\$68.1 billion), marking a 0.1 percent
decrease over March 2009. The structure of the loan portfolio was
the following: 35.5% standard loans (42.9% as of January 1, 2009),
57.8% doubtful loans (52.6% in January), and 6.7% bad loans (4.4% in
January). Foreign currency loans accounted for 59.8% of the total
loan portfolio.

¶5. The FSA reported that Kazakhstani-based insurance organizations collected premiums of 25 billion tenge (approximately \$166 million) in the first quarter of 2009, marking a 42.8% decline year-on-year. Mandatory insurance premiums grew by 7 percent compared to the same period last year and reached 6 billion tenge (about \$39.87 million); voluntary private insurance declined by 11.3 percent to 5.5 billion tenge (approximately \$36.5 million); and voluntary property insurance also fell by 57.5 percent to 13.5 billion tenge (\$89.7 million). Premiums for voluntary property insurance represented the largest share (53.9%) of total insurance premiums.

UPDATES FROM SAMRUK-KAZYNA

¶6. According to the head of the Samruk-Kazyna National Welfare Fund Kairat Kelimbetov, state-owned companies face repayments of \$2 billion in external debt in 2009. The overall external debt of companies owned by Samruk-Kazyna is \$16 billion: KazMunaiGas reportedly owes \$11.2 billion (70% of the total debt), Kazakhstan's railway operator Kazakhstan Temir Zholy has foreign debt of \$1.1 billion (7%), and the Development Bank of Kazakhstan owes \$1.6 billion in external debt (10%). (NOTE: \$16 billion equals approximately 14.3% of the forecast GDP for 2009. END NOTE.)

¶7. The Distressed Assets Fund (DAF), which was established under the Samruk-Kazyna National Welfare Fund, will start working with commercial banks in the second half of 2009, Samruk-Kazyna's Kelimbetov said. In his words, the DAF is currently determining possibilities to buy the distressed assets of small and medium-sized businesses and large production companies.

CICA THE PRECURSOR OF AN ASIAN G-20?

¶8. President Nazarbayev said that the Conference on Interaction and Confidence-Building Measures in Asia (CICA) offers a solid

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foundation for the creation of a "Group of Asian Twenty." Nazarbayev shared this idea at the Boao Forum for Asia in Hainan, China. According to Nazarbayev, the global community must radically change its existing financial systems, with no single financial center. The new financial system would then become the basis for a new geopolitical world order, said Nazarbayev.

KAZATOMPROM PRESIDENT RUMORED TO HAVE FLED COUNTRY

¶9. According to an April 16 article in opposition newspaper Svoboda Slova, Astana Group president Nurlan Smagulov dismissed rumors that his friend Mukhtar Zhakishiev, president of Kazatomprom, fled the country to avoid prosecution. Tatyana Kvyatkovskaya, a member of the ruling Nur Otan party, had accused Zhakishiev of selling old uranium mines to former BTA Chairman Mukhtar Ablyazov for \$1.5 million, who later resold them to a foreign company for \$350 million. Zhakishiev is reportedly undergoing medical treatment in Europe. Svoboda Slova in turn argued that such a sale could not have happened without the permission of former Minister of Energy and Mineral Resources Vladimir Shkolnik (who is currently Minister of Industry and Trade).

BUDGET CONTROL COMMITTEE ACCUSES ENERGY MINISTRY OF VIOLATIONS

¶10. On April 14, the National Budget Control Committee accused the Ministry of Energy and Mineral Resources of "financial violations" amounting to 15.2 billion tenge (\$101.33 million) incurred between 2006 and 2008. These violations include fines which were not charged and therefore not collected, and funds allocated from the national budget but not used by the Ministry.

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